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Financial Report  
OF  
GEO. A. HORMEL & COMPANY  
AUSTIN, MINNESOTA  
for the  
Fiscal Year Ended October 30, 1937

## OFFICERS

Geo. A. Hormel - - - - - Chairman of the Board  
Jay C. Hormel - - - - - President  
Ben F. Hormel - - - - - Senior Vice President  
John G. Hormel - - - - - Secretary  
M. F. Dugan - - - - - Treasurer

### Vice Presidents

H. H. Corey                      R. H. Daigneau                      E. N. Sturman

## DIRECTORS

S. D. Catherwood

H. H. Corey

A. A. Dacey

R. H. Daigneau

Park Dougherty

Ben F. Hormel

M. F. Dugan

Geo. A. Hormel

Jay C. Hormel

O. W. O'Berg

E. N. Sturman

L. E. Wakefield

Austin, Minn.,

Nov. 16, 1937

To the Stockholders of  
Geo. A. Hormel & Company

The earnings statement and balance sheet of your company for the year ended October 30, 1937 is submitted herewith.

Total sales of product for the year amounted to 386,214,134 pounds, which is a decrease of about 1 per cent compared with a year ago. 1937 marked the lowest volume of hog slaughter under Federal Inspection in the last 27 years. As the hog population is rehabilitated, it is expected that the pork business of the company will return to normal.

During the year our beef, veal and lamb business has been approximately normal. Our canning business has increased somewhat. In spite of the lessened pork volume, higher prices have made our net dollar sales the highest in the company's history—\$60,759,585.94, which is an increase of \$4,952,765.23 over last year.

The company is continuing to price its inventory at the lower of cost or market, as has been its custom in the past. All known bad debts have been charged off in full. Loss on capital assets scrapped or disposed of has been charged off in full. \$300,106.62 has been charged off for depreciation on plant and equipment. The balance sheet carries substantial reserves for other contingencies. All taxes have been provided for, including Social Security assessments.

The net worth of the company now stands as \$9,695,687.55, an increase of \$205,674.32 since a year ago. Inasmuch as legal questions with respect to processing taxes still exist, we have continued as a current liability a reserve in the full amount of the processing tax money about which there is still any dispute. This leaves net current assets at \$4,419,213.04, which is an increase of \$43,510.99 over a year ago.

During the past year the company has brought out a number of new products in its canned goods line, notably Hormel Chicken Noodle Soup, Dinty Moore Corned Beef and Cabbage, and, perhaps most interesting of all, Spam. Spam is a delicious meat specialty which may be served cold or may be baked or fried. It comes in a handy 12-ounce can



which may be kept without refrigeration. Perhaps, the unique thing about Spam, however, is the fact that it has been given a coined name. Although coined names are common in the food business and in the drug business, they have not been used in the meat business. It is hoped that this new product with its name will come into general use, although the product is too new to permit any dependable report upon its success.

In giving an account of its stewardship, the management of your company feels that consideration must be given not only to its obligation to serve the public well, but more specifically, its obligation to stockholders, to live stock producers, and to company employees.

The company's finances have been managed in such a way as to maintain the soundness of the institution in which the stockholders have invested their money. Company properties have been maintained in a high state of efficiency and repair. The company owes no money to banks, has no indebtedness beyond current and customary bills, and has current assets to cover all current liabilities in the ratio of 3.17 to 1. Annual dividends have been maintained without interruption on a basis of \$1.00 per share. This dividend rate should increase as the company finds itself in position to afford a higher rate after having properly maintained its plant and facilities, after having made reasonable and proper additions to its working capital, and after having discharged its obligation to its live stock producers and to its employees.

In its effort to discharge its obligation to live stock producers the company's chief contribution, of course, has been that function which the packing business as a whole performs for the live stock industry: namely, the maintenance of a dependable cash market for live stock and the prompt and efficient conversion of live stock into live stock products. In addition to this, the company has made its contribution toward diversification in live stock production. Under its leadership there has been a great increase in the amount of cattle and lamb feeding in the territory the company serves. Lately the company has instituted a monthly publication called "The Hormel Farmer." This little publication is designed to collect and select the most valuable current information on live stock production and transmit it to the live stock producer in the most convenient and concise manner; to help, insofar as possible, to accomplish further diversification and further efficiency in live stock production in this territory.

The outstanding contribution of the company to the live stock producer is found in the development of many new forms in which live stock products can be merchandised. Many of the less desirable cuts of meat have been converted into products which have developed definite public demand. In this way the market value of these cuts has been raised, and to that same extent the marketable value of live stock has been increased.

Along with prices of farm products the question of wages and hours looms as a national problem. Such accepted authority as the Brookings Insti-

tution tells us that true economic progress and prosperity can be attained only as wages are increased through more efficient production. In addition, today there is a great demand for a balancing of the hours worked in order that the work to be done may be divided among those able and willing to do it.

In the statement to stockholders a year ago, we explained the "straight time plan" which the company has developed over a period of years.

We are now able to say that our employees average \$1.05 a week more than is generally paid for comparable work. A full crew is maintained at this high rate of pay. They are paid on a weekly basis so there are no weeks of short pay checks. There are no seasonal lay-offs. The only employees who have not been provided this dependable basis of pay are those who are brought in from time to time to replace absentees from the ranks of the regular employees. It is obvious that from a standpoint of weekly and annual income we have made this plant an unusually desirable place to work.

Because our straight time plan permits our people to go home when their work is done, the employees have reduced the number of hours actually spent on the job to 35.3 hours per week, which is just 5 hours per week less than the average for all industries in the United States. This means that as prosperity returns and as this country becomes capable of consuming a greater amount of goods, Hormel employees could increase their production one-eighth and still not exceed 40 hours per week.

The management realizes, and believes a majority of the employees realize, that these benefits in wages and in hours can be maintained only by keeping up a high degree of operating efficiency, by bending every effort to the elimination of waste, the improvement of the product and, in general, the better conduct of the business; that high wages and short hours can be justified only as we maintain and increase the service which we render to live stock producers, and as we maintain and increase the security and the income which we afford to our stockholders.

JAY C. HORMEL

President



CONSOLIDATED

Geo. A. Hormel & Company - A

October

ASSETS

CURRENT

Cash	\$ 780,156.84
Trade accounts receivable, less reserve of \$100,000.00	2,230,187.03

Inventories:

Products, materials and supplies on hand, on consignment and in transit valued on the basis of the lower of cost or market prices	3,442,110.51
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TOTAL CURRENT ASSETS	\$ 6,452,454.38
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OTHER ASSETS

Properties not used in operations, less reserve for depreciation \$9,531.60	\$ 92,132.31	
Sundry securities, notes, accounts, etc. less reserve of \$67,400.00	55,593.80	
Employees notes, accounts and stock purchase contracts	20,152.42	
Officers accounts	121.98	168,000.51

PROPERTY, PLANT AND EQUIPMENT—at cost

Land	\$ 152,523.57	
Buildings, machinery and equipment, etc. less reserve for depreciation of \$2,028,636.00	5,163,892.67	5,316,416.24

PREPAID

Plant supplies, unexpired insurance, etc.	138,371.49
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Contingent liabilities:

Drafts discounted	\$368,338.98
Miscellaneous	81,118.21

\$12,075,242.62

# BALANCE SHEET

## Austin, Minnesota, and Subsidiaries

30, 1937

### LIABILITIES

#### CURRENT

Accounts payable-----	\$ 582,354.75	
Accrued taxes, etc.-----	134,133.42	
Provision for Federal and state taxes on income, including provision for additional assessments for prior years—estimated-----	250,225.00	\$ 966,713.17
Reserve for undetermined liabilities in connection with invalidation of processing taxes-----		<u>1,066,528.17</u>

#### TOTAL CURRENT LIABILITIES

\$2,033,241.34

RESERVE—for contingencies-----

331,600.16

MINORITY INTEREST—in capital stock of subsidiary-----

14,713.57

#### CAPITAL STOCK AND SURPLUS

Preferred stock—cumulative—par value \$100.00

Authorized 48,935 shares

Issued—Class A—6%

(callable at \$105.00 per share)—\$1,455,400.00

In Treasury----- 10,000.00 \$1,445,400.00

Common Stock—no par value

Authorized-----500,000 shares

Issued-----493,944 shares \$6,116,585.81

In Treasury--- 18,954 shares 234,707.38 5,881,878.43

Surplus (of which \$244,707.38 is appropriated on account of capital stock in treasury)-----

2,368,409.12 9,695,687.55

\$12,075,242.62

SUMMARY OF INCOME AND SURPLUS  
 Geo. A. Hormel & Company - Austin, Minnesota  
 and Subsidiaries

Year Ended October 30, 1937

Net Sales			\$60,759,585.94
Cost of Goods sold, selling, administrative and general expenses	\$59,477,050.41		
Provision for depreciation	300,106.62		
Other Charges:			
Interest	\$55,528.97		
Sundry	44,239.06		
	\$99,768.03		
Less sundry income	46,190.47	53,577.56	59,830,734.59
			\$ 928,851.35
Add portion of subsidiary company loss ap- plicable to minority interest			39.20
			\$ 928,890.55
Provision for Federal and State taxes on in- come including surtax on undistributed profits - estimated	\$ 180,225.00		
Less excess provision for prior periods	18,721.09		161,503.91
	NET INCOME		\$ 767,386.64
Dividends on Preferred Stock			86,722.32
	INCOME APPLICABLE TO COMMON STOCK		\$ 680,664.32
Dividends on Common stock			474,990.00
	BALANCE OF NET INCOME TO SURPLUS		\$ 205,674.32
Surplus—October 31, 1936			2,162,734.80
	SURPLUS—October 30, 1937		\$ 2,368,409.12



ERNST & ERNST  
ACCOUNTANTS AND AUDITORS  
SYSTEM SERVICE

Geo. A. Hormel & Company  
Austin, Minnesota

We have made an examination of the consolidated balance sheet of Geo. A. Hormel & Company and its subsidiaries as at October 30, 1937, and of the consolidated statements of income and surplus for the year ended at that date. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence, and obtained information and explanations from their officers and employees. We also made a review of the accounting methods and of the operating and income accounts for the period, but we did not make a detailed audit of the transactions.

Net current assets (\$42,134.98) of the Mexican subsidiary have been adjusted to the current rate of exchange. Depreciation charges have been provided in accordance with rates previously established by the companies, such rates generally being in excess of those now being allowed as income tax deductions.

The reserve for undetermined liabilities in connection with invalidation of processing taxes has been reduced by the amount of Federal income taxes paid thereon during the year. While the ultimate liability, if any, in connection with unsettled matters, principally taxes, is undeterminable at this time, it is believed the amount provided is sufficient.

In our opinion, based upon our examination, the accompanying balance sheet and related statement of income and surplus fairly present the consolidated position of the company and its subsidiaries at October 30, 1937, and the consolidated results from operations for the year ended at that date. Further, it is our opinion that the statements have been prepared in accordance with accepted accounting principles and on a basis consistent with the preceding year.

ERNST & ERNST  
*Certified Public Accountants*

Minneapolis, Minnesota  
November 15, 1937

SINCE no advertising equals the spoken word of an enthusiastic user, every stockholder is urged to become acquainted with all the products of the Company, to discover their convenience and the goodness of them, and to recommend them to their friends. The following is a partial list of Hormel products which may be identified by brand in your food store:

### HORMEL BRANDED BEEF

Hormel Best  
Hormel circle

Hormel Merit  
Hormel triangle

Hormel Value  
Hormel square

### HORMEL BRANDED LAMB

Hormel Best  
Hormel circle

Hormel Merit  
Hormel triangle

Hormel Value  
Hormel square

### HORMEL HAM

Dairy Brand Ham

Minnesota Ham

Dairy Brand Cooked Ham

Dairy Brand Ham  
Delicatessen Style

Dairy Brand Baked Ham

### FLAVOR-SEALED HAM (Cooked In the Can)

Whole Ham  
No bone, no skin, no surplus fat.

Half Ham  
Ready to serve cold.

Quarter Ham  
Ideal for baking and frying.

### HORMEL BACON

Dairy Brand Bacon

Minnesota Bacon

Canadian Style Bacon  
Sliced in cellophane packages, or by the piece.

Dairy Brand Sliced Bacon  
In the red and yellow labeled  
cellophane package.

Dairy Brand Sliced Bacon  
In the green carton. This is  
the most carefully selected and  
choicest of all bacon. Costs  
more. Worth it.

Minnesota Sliced Bacon  
In the red and yellow labeled  
cellophane package.

### LARD IS STILL THE BEST SHORTENING

Dairy Brand Lard  
Finest open kettle rendered.

Hormel (Minnesota) Lard  
In the famous red and yellow carton.

### HORMEL SPECIALTIES

Minnesota Sliced Dried Beef  
4 oz. cellophane package

Hormel Pigs Feet—In Glass  
Quarts, Pints, Half Pints

Hormel Spiced Ham

Hormel Spiced Luncheon Meat

A ready to serve meat which may be fried or baked. The perfect meat for lunches, picnics, sandwiches or canapes, and may be prepared in many different ways.  
In handy 12 oz. can which keeps on your pantry shelf.



**Flavor-Sealed Corned Beef Hash**  
Finest corned beef and diced potatoes,  
mildly seasoned.

**Hormel Flavor Sealed Chicken**  
Young. Milk fed. U.S. government inspected and certified.  
Ready to serve cold or to broil or fry quickly.

**Hormel Chicken ala King**  
Choice Chicken with fresh mushrooms,  
butter, cream and pimentos.

**Minnesota Fresh Country Style Sausage**  
The sausage that comes by the yard.  
The most popular sausage we make.

**Dairy Brand Link Sausage**

**Minnesota Pure Pork Sausage**

**Minnesota Smoked Country Style Sausage**

**Dairy Brand Braunschweiger**

**Minnesota Braunschweiger**

**Dairy Brand Veal Loaf**

**Dairy Brand Liver Cheese**

**Minnesota Luncheon Loaves**

**Dairy Brand Cervelat**

**Dairy Brand Salami**

**Dairy Brand Goteborg**

## HORMEL FLAVOR-SEALED SOUP

**Hormel Vegetable Soup**  
Rich beef stock with fifteen  
garden vegetables.

**Hormel Onion Soup**  
Tender onions, sliced and sauteed  
in butter; parmesan cheese,  
rich beef stock.

**Cream of Mushroom Soup**  
Choice mushrooms blended with  
rich cream and butter.

**Chicken Noodle Soup**  
Real egg noodles, tender chicken,  
double strength chicken broth.

**Cream of Tomato Soup**  
Rich sweet cream, butter,  
puree of plump ripe tomatoes.

**Vegetable Beef Soup**  
Tender pieces of beef, plenty of  
vegetables and rich beef stock.

**Tomato Bretonne (Bean Soup)**  
Ripe tomatoes, choice beans, enriched  
with cream and butter.

**Pea Soup**  
Pureed split peas, rich beef stock  
and butter. Bacon flavored.

**Chicken Broth**  
Rich chicken broth  
with rice.

**Clear Beef Jellied Consomme'**  
Clear rich beef broth.

**Consomme' Madrilene**  
Made from ripe tomatoes  
and U. S. inspected chickens.

**Clear Chicken Jellied Consomme'**  
Rich, chicken broth. Flavored just right.

Consomme's are delicious hot, jellied, or for use in salads.

## DINTY MOORE PRODUCTS

**Dinty Moore Beef Stew**  
Beef with five vegetables.  
Treats three, feasts two.

**Dinty Moore Corned Beef and Cabbage**  
A real Dinty Moore dinner. Ready to serve.

**Dinty Moore Spaghetti and Meat Balls**  
All beef meat balls, with tomato  
sauce and spaghetti.

**Dinty Moore Corned Beef Hash**  
Mildly cured corned beef and  
diced potatoes.

**Hormel Chili Con Carne**  
Choice chili beans, tender beef  
and mild chili seasoning.  
You'll like it.

**Hormel Boneless Chicken**  
Made from finest milk fed chickens.  
To slice or to cream. Delicious in salads.

**Hormel Ham ala King**  
Choice Ham with fresh mushrooms,  
butter, cream and pimentos.

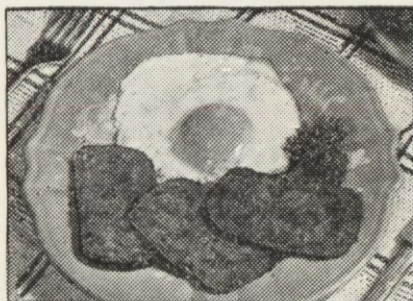




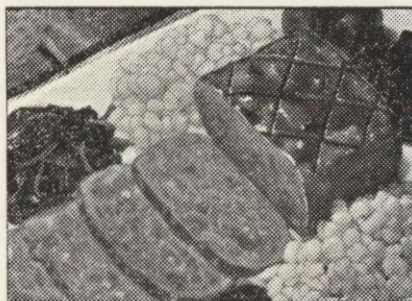
An interesting new product of Geo. A. Hormel & Co. is SPAM. Stockholders are urged to ask for SPAM. They are urged to have a breakfast of SPAM and eggs, or a SPAMWICH at noon lunch, or Baked SPAM for supper. One of a long line of Hormel innovations. It is copyrighted. Only Hormel can produce SPAM. It is packed in 12 oz. cans. Below are illustrations reproduced from a current advertisement.



**QUICK TRICKS WITH "SPAMWICHES"!** Sliced Spam with—watercress . . . tartar sauce . . . currant jelly . . . chopped apricots . . . mustard pickle . . . chopped raisins . . . peanut butter and honey . . . sliced hard-cooked eggs, Russian dressing . . . and many other combinations you can invent yourself!



**SPAM & EGGS!** For a high-style breakfast, just cut thick slices of Spam, fry quickly and serve with eggs. Grand for Sunday morning. Or you can dice Spam, and mix with scrambled eggs.



**BAKED SPAM!** A wonderful new shortcut to that old Virginia flavor. Takes only about 20 minutes. Full directions for Baked Spam are on the can, along with many other helpful suggestions for serving this new meat.